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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

November 13, 2001

The Honorable David M. Walker
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

In a May 2001 report on the Small Business Administration's 7(a) Program's General Characteristics and Summary of Issues (GAO/RCED-00-158R, May 26, 2001), GAO reported that SBA had established an Office of Lender Oversight that would be responsible for centralizing and coordinating 7(a) lender oversight. Additionally, you reported that as of March 1999, SBA had completed its first round of preferred lender reviews, and its second round in March 2000. The report also stated that SBA initiated a compliance review for non-preferred lenders in January 2000. Preferred lenders have full authority to determine eligibility and creditworthiness and to approve loans without prior SBA review, while non-preferred lenders are subjected to a higher level of scrutiny. Moreover, the report states that as a part of SBA's revised lender review system effective October 1, 1999, the agency rates lenders on their degree of compliance with program requirements and enforcement of program guidelines.

I request that you assess the current status of SBA's oversight of its 7(a) lenders, especially preferred lenders, which at the time of your study accounted for 60% of SBA's total loan portfolio by dollar amount. In addition, please provide information about SBA's status in ensuring that preferred lenders are enforcing eligibility and creditworthiness standards for approved borrowers. Please contact Emilia DiSanto of the Committee staff at (202) 224- with any questions.

Sincerely,



Christopher S. Bond
Ranking Member